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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

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JUN 29 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)	
)	FCC 94-119
Implementation of Section 19 of)	
the Cable Television Consumer)	
Protection and Competition Act)	
of 1992)	
)	CS Docket No. 94-48
)	
Annual Assessment of the Status)	
of Competition in the Market for)	
the Delivery of Video Programming)	

**STATEMENT OF
TURNER BROADCASTING SYSTEM, INC.
IN RESPONSE TO NOTICE OF INQUIRY**

Turner Broadcasting System, Inc. ("TBS"), by its attorneys, hereby submits this Statement in Response to the Commission's above-captioned Notice of Inquiry initiated pursuant to Section 19(g) of the 1992 Cable Act, 47 U.S.C. § 548(g). The purpose of the Notice of Inquiry is to prepare a preliminary analysis of the development of competition to cable television by various emerging alternative technologies in light of the passage of the 1992 Cable Act. We submit the following information regarding the sale of TBS's program services in the multichannel video programming market.

1. In 1993, TBS altered its affiliation agreements to create unitary, technology-neutral contracts. Prior to that time, TBS had distinct affiliation agreements for its cable, SMATV and MMDS affiliates. TBS now offers a technology-neutral contract with no difference in the rates offered to cable, SMATV and MMDS systems.

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2. With respect to home satellite distributors, TBS has also substantially lowered its license fee from the levels charged prior the passage of the 1992 Act. TBS bears the expense of delivering the services to the homes and providing security and sales support for the services, i.e., providing encoder, the authorization center and tier bit fees, the home satellite rates reflect those costs.

3. With respect to TNT, as we indicated in our comments filed in the proceeding implementing Section 19 of the 1992 Cable Act, MM Docket No. 92-265, TNT was launched as a cable-exclusive network in October 1988. Exclusivity was a powerful tool that made the launch of TNT financially feasible. At the time, the idea of creating TNT was publicly greeted with extreme skepticism. In order to gain three-year commitments from cable operators to carry and pay for TNT, TBS offered exclusive distribution rights to systems who signed during the launch phase and MSOs who signed up at least 75 % of their subscribers during TNT's launch phase. Exclusivity was never available to operators who only signed up post-launch. Exclusivity thus was not a one-way bargain "extracted" by the cable operator from a programmer, but a calculated business decision by TBS to help launch a new venture.

Those grandfathered cable contracts expire in late 1994. TBS therefore anticipates additional growth in TNT's penetration with alternative distribution systems after the exclusivity expires. Since July 1993, TNT has added 155,000 new SMATV, MMDS and home satellite subscribers.

4. Since the passage of the 1992 Cable Act, TBS has launched two new networks, The Cartoon Network on October 1, 1992 and Turner Classic Movies in April

1994. Both are sold pursuant to our technology-neutral contracts and rates. In spite of the availability of digital compression technology, we chose to use the more expensive analog, Videocypher2+, C-band distribution so that the service would be available to all of cable, SMATV, MMDS and DBS and home satellite markets.

The Cartoon Network is sold to 1.2 million satellite homes and has 1,236,000 total non-cable subscribers, out of a total subscriber base of 9.5 million. Turner Classic Movies was inaugurated in April of this year, with 80% of its subscribers being home satellite homes.

5. With respect to DBS, TBS has negotiated multi-service agreements with both DirecTV and PrimeStar for all of the Turner services. This will include CNN International, which will begin domestic distribution in January 1995. It is noteworthy that the Turner agreement was the first basic programming agreement announced by DirecTV; moreover, the DirecTV and PrimeStar agreements were the first agreements signed by any distributors for Turner Classic Movies and CNN International.

6. Finally, the Commission asks (§§ 59-60) for updating information regarding vertical integration.

The Turner Board of Directors includes the following individuals:

Joseph J. Collins
Chairman of the Board and Chief Executive Officer
American Television and Communications Corporation

Michael J. Fuchs
Chairman of the Board and Chief Executive Officer
Home Box Office, Inc.

Gerald M. Levin
Chairman of the Board of Directors, President and
Chief Executive Officer
Time Warner, Inc.

Peter Barton
President and Chief Executive Officer
Liberty Media Corporation

John C. Malone
Director, President and Chief Executive Officer
Tele-Communications, Inc.

Timothy P. Neher
Vice Chairman of the Board of Directors
Continental Cablevision, Inc.

Brian L. Roberts
Director and President
Comcast Corporation

Fred A. Vierra
Executive Vice President
Tele-Communications, Inc.

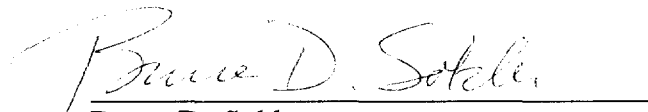
As disclosed in Turner Broadcasting System, Inc.'s FCC Ownership Report, Form 323, Tele-Communications, Inc. owns 5,589,551 and 29,723,758 shares of Class C Convertible Preferred Stock and Class B Common Stock of TBS, held by entities in which TCI claims beneficial ownership. Time Warner owns 254,100, 4,890,457 and 25,349,085 shares of Class A Common Stock, Class C Convertible Preferred Stock and Class B Common Stock, respectively, which consists of shares held by entities in which Time Warner claims beneficial ownership. Continental Cablevision owns 577,391 shares of Class C Convertible Preferred Stock and 2,188,599 shares of Class B Common Stock. Comcast

Corporation owns 112,498 shares of Class C Convertible Preferred Stock and 353,943 shares of Class B Common Stock.

Respectfully submitted,

OF COUNSEL:

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A handwritten signature in cursive script, reading "Bruce D. Sokler", written over a horizontal line.

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